

THE EAGLE-PICHER COMPANY



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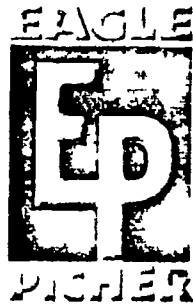


ANNUAL REPORT
FOR THE FISCAL YEAR ENDED NOVEMBER 30

1960

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ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED NOVEMBER 30, 1960



THE EAGLE PICHER COMPANY
CINCINNATI OHIO

THE EAGLE PITCHER COMPANY

DIRECTORS

WILLIAM R DICE	STANLEY R MILLER
LOUIS A FISHER	ORSON A ROCKWELL
DAVID M FORKER JR	ARTHUR W SCHUBERT
CARL A GEIST	T SPENCER SHORE
CARL F HERTENSTEIN	GEORGE A SPIVA
ROBERT S JOHNSON	MILES M ZOLLER

OFFICERS

T SPENCER SHORE	PRESIDENT
ALFRED S AULT	VICE PRESIDENT
GLEN J CHRISTNER	VICE PRESIDENT
WILLIAM R DICE	VICE PRESIDENT
LOUIS A FISHER	VICE PRESIDENT
CARL A GEIST	VICE PRESIDENT
ROBERT S JOHNSON	VICE PRESIDENT
MILO J MARSH	VICE PRESIDENT
MILES M ZOLLER	VICE PRESIDENT
RICHARD SERVISS	SECRETARY
JOHN C HEISLER	TREASURER
HAROLD E ANDERSON	COMPTROLLER
MELVIN F CHUBB	ASSISTANT SECRETARY
CHARLES S DAUTEL	ASSISTANT SECRETARY
CORBIN E SHOUSE	ASSISTANT SECRETARY
JOHN H WINCHESTER	ASSISTANT SECRETARY
ARTHUR C ZIMMERMAN	ASSISTANT SECRETARY

TRANSFER AGENTS Morgan Guaranty Trust Company of New York
The Central Trust Company Cincinnati

REGISTRARS The Chase Manhattan Bank New York
The Fifth Third Union Trust Company Cincinnati

THE FOGLE PITCHER COMPANY

TO OUR SHAREHOLDERS

The Company's 1960 sales and net profit including non recurring income were practically the same as in the preceding year. Net profit from operations declined 17.2%.

Dividends of \$1.20 per share were paid on the new shares of \$5.00 par value which represented an increase over the \$2.20 per share paid in 1959 on the \$10.00 par value stock.

The Company's financial position at November 30, 1960 was strong with net worth at a new peak.

Important new plant facilities were completed toward the close of 1960 which are expected to make a significant contribution to earnings in future years.

General

The year 1960 has been a puzzling one in many respects both to economists and businessmen. While general business was not as good as forecast at the beginning of the year, industrial activity has continued on a relatively high plateau. On the other hand, profit margins and net incomes of most companies in basic industries declined sharply below 1959.

We agree with the view that the economy has been undergoing an adjustment to an environment new in the post war period in which the fear of inflation has receded into the background. How long this will last is conjectural, but it is widely believed that industrial goods and materials will be available in ample amount and at stable prices. As a result, corporate inventories have been subjected to rigid scrutiny with drastic reductions effected.

Wages and salaries have continued the uninterrupted upward trend prevalent throughout the post war period. In previous years these increased costs were largely offset by higher selling prices, but during 1960, with demand no longer rising and prices remaining unchanged, margins have been reduced. This has given rise to such terms as a 'cost price squeeze' and 'profitless prosperity' which we regard as an inadequate or incomplete description of the situation.

Problems such as these are not new, except perhaps in degree, and must be met by making savings in the areas where costs are controllable by improved production and marketing methods and by obtaining price relief where possible. More fundamental and important wage increases from

SUMMARY OF 1959 AND 1960

YEAR ENDED NOVEMBER 30	1960	1959
Net Sales	\$120,835,294	\$120,925,049
Profit From Operations Before Taxes	7,967,088	9,671,646
Net Profit From Operations After Taxes	3,867,088	4,671,646
Net Profit After Taxes — Non recurring	900,000	—
Net Profit	4,767,088	4,671,646
Net Profit Per Share	2.33	2.29

now on should be limited wherever possible to gains in productivity

Sales

Net sales of the Eagle Picher Company for the fiscal year ended November 30 1960 amounted to \$120 835 294 as compared with \$120 925 049 for the previous year a decrease of \$89 755 In light of the prevailing conditions we believe this to be a creditable performance

Earnings

Net profit for the fiscal year ended November 30 1960 amounted to \$4 767 088 or \$2 33 per share including non recurring profit of \$900 000 or 44 cents per share This compares with net profit of \$4 671 646 or \$2 29 per share for 1959 after adjustment for the two for one split in January 1960

While dollar sales were well maintained profit margins declined substantially in areas where wages constitute a relatively higher percentage of production costs There is no cause for long term concern in this regard and we already see a slight improvement in some areas

To place 1960 results in better perspective it is pertinent to compare them with those for 1958, although the latter was a year of deeper recession Sales in 1960 increased \$22 702 637 or 23 1% over those for 1958 net profit in 1960 (partly non recurring) was more than double the \$2 090 094 earned in 1958 Similarly comparing two years of rising volumes small gains in both sales and profit were achieved in 1959 over 1957 The years 1957-1960 were unusually difficult with wide fluctuations nevertheless we believe that tangible progress was made during this period

Balance Sheet

Shareholders net worth at November 30 1960 was \$45 081 582 or \$22 03 per share as compared with \$43 212 387 or \$21 14 per share at November 30, 1959

Working capital at November 30 1960 amounted to \$29 632 137 as compared with the corresponding figure of \$30 133 749 a year earlier

Cash and United States Government obligations, including amounts deducted from Federal

SUMMARY OF NET WORTH

	NOVEMBER 30, 1960		NOVEMBER 30 1959	
	AMOUNT	PER SHARE	AMOUNT	PER SHARE*
SHAREHOLDERS NET WORTH	<u>\$45 081 582</u>	<u>\$22 03</u>	<u>\$43 212 387</u>	<u>\$21 14</u>
THIS OWNERSHIP WAS REPRESENTED BY				
Working capital (current assets less current liabilities)	\$29,632 137	\$14 48	\$15 486,220	\$ 7 83
Net fixed assets	25 191 707	12 31	11 325 613	5 72
Other assets	4 486 173	2 19	5 719 549	2 89
Total	<u>\$59 310 017</u>	<u>\$28 98</u>	<u>\$32 531 382</u>	<u>\$16 44</u>
FROM WHICH MUST BE DEDUCTED				
Long term debt	\$13 000 000	\$ 6 35	\$ 7 531 015	\$ 3 81
Reserves	1 228 435	60	558 473	28
Total	<u>\$14 228 435</u>	<u>\$ 6 95</u>	<u>\$ 8 089 488</u>	<u>\$ 4 09</u>
SHAREHOLDERS NET WORTH	<u>\$45 081 582</u>	<u>\$22 03</u>	<u>\$24 441 894</u>	<u>\$12 35</u>
Adjusted to present capitalization				

Tax Reserve aggregated \$8,574,104 at the 1960 year end, as compared with \$14,126,040 at November 30 1959

Accounts and notes receivable rose to \$13,634,301 an increase of \$1,834,803 over the corresponding figure of \$11,799,498 at November 30, 1959

Inventories at November 30 1960 amounted to \$20,827,875 as compared with \$19,376,560 a year earlier

Net fixed assets of \$25,191,707 at November 30 1960 compared with \$24,006,005 at the end of 1959 Capital expenditures for the year were \$4,317,009 as compared with provision for depreciation and depletion of \$2,783,440

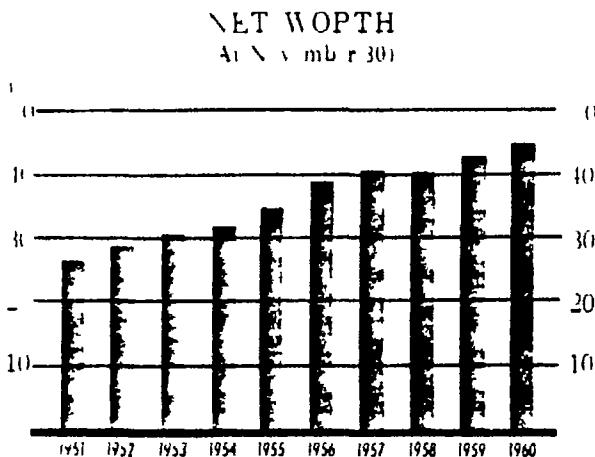
Dividends

A two-for-one split of the Company's shares approved by shareholders on December 22 1959 became effective on January 9 1960 after which the new \$5 par stock was placed on a \$1.20 annual dividend basis This is equivalent to \$2.40 per share on the shares of \$10 par value which received dividends of \$2.20 during 1959

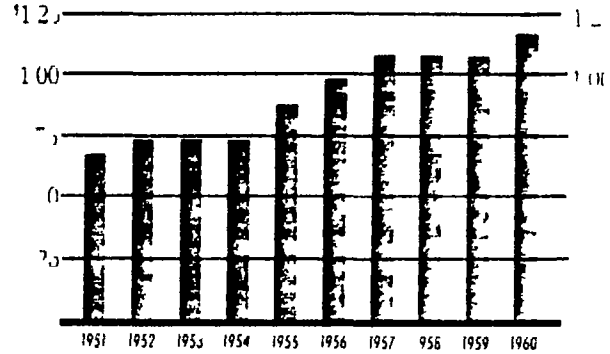
Dividend payments have been made in each of the past 25 years and have been increased five times in the past ten years

New Plant Facilities

The Chicago Vitreous Corporation plant at Paris Illinois completed in September 1960 should make a small contribution to 1961 earnings This plant will fabricate the steel frames uprights and trusses used in the construction of porcelain enamel gasoline service stations for many major oil companies The steel products were previously



DIVIDENDS PAID PER SHARE (Calendar Year)



purchased so that the expansion represents a vertical integration which is expected to increase net income

The Ohio Rubber Company has completed its new plant at Fort Smith Arkansas and some production is scheduled for the first quarter of 1961 While this plant will probably have little effect on profits for this year it represents an important addition to the Company's facilities It will provide better service for present customers and should gain additional business from industries in that area

Outlook

It is generally believed that the economy will reach a low point in the first quarter of 1961 followed by a slight improvement in the second quarter and pronounced recovery in the last half of the year Our operational budgets and forecasts which are subject to constant review and revision, currently indicate that this also will be the pattern for Eagle-Picher and that the results for the year as a whole will be favorable

Despite its inauspicious beginning our optimism regarding the decade ahead remains unchanged The Company's diversified operations improved plant facilities new products and above all its broad organization of capable determined and profit minded people should enable it to share fully in the prosperous years ahead

Eugene Shore
President

Cincinnati, Ohio
January 25 1961

THE EAGLE PITCHER COMPANY
CONSOLIDATED BALANCE SHEET

ASSETS	<u>1960</u>	<u>1959</u>
CURRENT ASSETS		
Cash	\$ 6,799 413	\$ 9 420 961
Accounts and notes receivable less allowance for doubtful receivables, \$305 244 and \$383 225	13 634 301	11 799 498
Inventories of raw materials work in process finished products and supplies (note 1)	<u>20 827 875</u>	<u>19 376 560</u>
TOTAL CURRENT ASSETS	<u>41 261 589</u>	<u>40 597 019</u>
 OTHER ASSETS		
Repair parts and maintenance supplies	867,176	821 480
Investments at cost and miscellaneous accounts and advances	<u>999 773</u>	<u>748 574</u>
	<u>1 866 949</u>	<u>1 570 054</u>
 PROPERTY PLANT AND EQUIPMENT AT COST	69 000 031	67 342 196
Less Allowance for depreciation and depletion	<u>43 808 324</u>	<u>43 336 191</u>
	<u>25 191 707</u>	<u>24 006 005</u>
 PATENTS AT COST — less amortization	<u>1 375 370</u>	<u>1 551 564</u>
 PREPAID AND DEFERRED CHARGES		
Prepaid freight insurance etc	406 183	478 827
Miscellaneous deferred charges	<u>1 837 671</u>	<u>647 817</u>
	<u>1 243 854</u>	<u>1 126 644</u>
	<u>\$70 939 469</u>	<u>\$68 851 286</u>

The accompanying notes are an

AND DOMESTIC SUBSIDIARIES

AS AT NOVEMBER 30, 1960 AND 1959

LIABILITIES	<u>1960</u>	<u>1959</u>
CURRENT LIABILITIES		
Accounts payable	\$ 5,904,640	\$ 5 352 507
Dividend payable	614 686	563 600
Accrued liabilities	3 355 997	3 534 793
Federal taxes on income less U S Government obligations at cost \$1 774 691 and \$4 705 079 (note 2)	754 129	12 370
Long term debt — current portion	<u>1 000 000</u>	<u>1 000 000</u>
TOTAL CURRENT LIABILITIES	<u>11 629 452</u>	<u>10 463 270</u>
 LONG-TERM DEBT — 3¾% notes maturing serially to July 15 1974, less current portion (note 3)	 <u>13,000 000</u>	 <u>14 000 000</u>
 RESERVES FOR SELF INSURANCE	 <u>1 228 435</u>	 <u>1 175 629</u>
 STOCKHOLDERS EQUITY		
Capital stock — par value \$5 per share authorized 3 000 000 shares issued and outstanding 2 067 654 shares (note 4)	10 338 270	10 247 270
 Capital surplus	2,487 663	2 666 251
Retained earnings (note 3)	<u>32 737 229</u>	<u>30 436 628</u>
	45 563 162	43 350 149
Less Treasury stock, 21 300 shares at cost November 30 1960	<u>481 580</u>	<u>137 762</u>
	<u>45 081 582</u>	<u>43 212 387</u>
	<u>\$70 939 469</u>	<u>\$68 851 286</u>

integral part of this balance sheet.

THE EAGLE PICHER COMPANY AND DOMESTIC SUBSIDIARIES
STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND RETAINED EARNINGS
YEARS ENDED NOVEMBER 30 1960 AND 1959

	<u>1960</u>	<u>1959</u>
INCOME		
Net sales	\$120 835 294	\$120 925 049
Other income	<u>172 377</u>	<u>267 020</u>
	<u>121 007 671</u>	<u>121 192 069</u>
 COSTS AND EXPENSES		
Production and manufacturing costs	100 446 548	98 780 167
Selling general and administrative expenses	9 255 953	9 184 181
Provision for depreciation depletion and patent amortization	2 783 440	2 987 784
Interest	<u>554 642</u>	<u>568 291</u>
	<u>113 040 583</u>	<u>111 520 423</u>
 PROFIT FROM OPERATIONS — before Federal and		
State taxes on income	7 967 088	9 671 646
 FEDERAL AND STATE TAXES ON INCOME (note 2)	<u>3 200 000</u>	<u>5 000 000</u>
 NET PROFIT	4 767 088	4 671 646
 RETAINED EARNINGS AT BEGINNING OF YEAR	<u>30 436 628</u>	<u>28 005 444</u>
	35 203 716	32 677 090
 CASH DIVIDENDS PAID AND ACCRUED	<u>2 466 487</u>	<u>2 240 462</u>
 RETAINED EARNINGS AT END OF YEAR (note 3)	<u><u>\$ 32 737 229</u></u>	<u><u>\$ 30 436 628</u></u>

The accompanying notes are an integral part of this statement

THE EAGLE Picher COMPANY AND DOMESTIC SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30 1960

- 1 Inventories other than ores metals and metal bearing products have been valued at average and standard costs or lower which approximate replacement market. Ores metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc 7 000 and 18 000 tons respectively at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis) under the base stock method of inventory valuation adopted at November 30 1949.
- 2 Federal income tax provision for 1960 includes a non recurring credit of \$900 000.
- 3 Under the provisions of the loan agreement pertaining to the 3 3/4% notes due July 15 1974 the company is required to prepay \$1 000 000 on July 15 of each year to maturity.
The 3 3/4% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase redemption or retirement of the company's capital stock. At November 30 1960 the amount not so restricted was approximately \$11 000 000.
- 4 At November 30 1960 there was outstanding an option to purchase 7 000 shares of capital stock at \$19 875 per share. Under the plan approved by stockholders options may be granted for an additional 4 000 shares. The shares under option have been adjusted for the stock split in 1960 of two shares of \$5 par value stock for each share of \$10 par value stock.
- 5 A portion of the company's sales for the year ended November 30 1960 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment if any will not have a material effect on the financial statements.

PEAT, MARWICK, MITCHELL & CO

Certified Public Accountants

CINCINNATI OHIO

ACCOUNTANTS REPORT

THE BOARD OF DIRECTORS

THE EAGLE PICHER COMPANY

We have examined the consolidated balance sheet of The Eagle Picher Company and its domestic subsidiaries as of November 30 1960 and the related statement of profit and loss and retained earnings for the year then ended Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances

In our opinion, the accompanying consolidated balance sheet and statement of consolidated profit and loss and retained earnings present fairly the financial position of The Eagle-Picher Company and its domestic subsidiaries at November 30 1960 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year

PEAT, MARWICK MITCHELL & CO

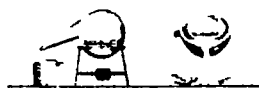
Cincinnati Ohio
January 23, 1961

TEN-YEAR SUMMARY

FOR THE FISCAL YEARS 1951-1960							
SOURCE AND APPLICATION OF FUNDS	SOURCE			APPLICATION			
	Net Profit	\$40 135,272		Dividends Paid	\$18 807 668		
	Depreciation Depletion and Amortization	25 018 592		Capital Additions	43 903 044		
	Increase in Long Term Debt	5,500 000		Patents & Patent Rights Acquired	2 035 578		
	Disposition of Fixed Assets	5 678 204		Increase in Working Capital	14 176 932		
	Decrease in Foreign Investments	3 074 624		Increase in Other Assets	1 313 816		
	Other Sources	2 055 370		Other	1 225 024		
		<u>\$81 462 062</u>			<u>\$81 462 062</u>		
SALES EARNINGS TAXES DIVIDENDS	YEAR ENDED NOV 30	NET SALES	DEPRECIATION DEPLETION AND AMORTIZATION	NET PROFIT BEFORE INCOME TAXES	NET PROFIT	NET PROFIT PER SHARE	DIVIDEND PER SHARE CALENDAR YEAR
	1960	\$120 835 294	\$2 783 440	\$7 967 088	\$4 767 088	\$2 33	\$1 20
	1959	120 925 049	2 987 784	9 671 646	4 671 646	2 29	1 10
	1958	98 132 667	3 296 731	3 990 094	2 090 094	1 04	1 10
	1957	117 752 694	3 216 858	7 531 706	4 266 706	2 13	1 10
	1956	116 407 000	3 096 237	11 481 794	5 906 430	2 94	1 00
	1955	114 480 080	2 969 269	10 204 062	5,004 062	2 53	90
	1954	83 233 880	1 990 578	4 946 829	2 446 829	1 24	75
	1953	85 033 403	1 557 372	5 952 966	3 242 966	1 64	75
	1952	81 893 067	1 623 123	4 323 643	4 035 643	2 04	75
	1951	82 086 318	1 497 202	9,503 807	3 703 807	1 87	68
BALANCE SHEET HIGHLIGHTS	AT NOV 30	CASH AND U S GOVT SECURITIES	WORKING CAPITAL	PROPERTY PLANT AND EQUIPMENT NET	LONG TERM DEBT	NET WORTH	NET WORTH PER SHARE
	1960	\$ 8 574,104	\$29 632 137	\$25 191 707	\$13 000 000	\$45 081 582	\$22 03
	1959	14,126 040	30 133 749	24 006 005	14 000 000	43 212 387	21 14
	1958	7 319 071	27 920 267	24 008 928	15,000 000	40 716 257	20 23
	1957	11 472 791	27 786 595	23 549 875	15 000 000	40 858 362	20 37
	1956	13 947 086	27 298 811	24 389 349	15 000 000	38 899 244	19 35
	1955	12 710 610	23 247 257	24,470 614	15 000 000	34 834 412	17 61
	1954	8 053 695	18 447 048	25 824 409	15 000 000	31 610 917	15 98
	1953	20 716 682	25 808 749	17 583 985	15 000 000	30 646 045	15 49
	1952	12,766 129	25 176 975	16 493 018	13 575 000	28 898 443	14 61
	1951	16 167 043	18 625 755	11 102 406	7 500 000	26 398 195	13 34

*Based on actual number of shares outstanding adjusted to present capitalization

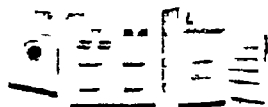
PRINCIPAL PRODUCTS AND PROPERTIES



CHEMICALS AND METALS DIVISION

PRINCIPAL PRODUCTS — Zinc and lead pigments and oxides ★ Special purpose electric power supplies ★ Sulphuric acid ★ Germanium gallium cadmium sulphide and other electronic metals and compounds ★ Cadmium ★ Slab zinc ★ Chat

PLANTS AND MINES *Plants* JOPLIN MISSOURI GALENA AND HILLSBORO ILLINOIS GALENA KANSAS COMMERCE HENRYETTA AND MIAMI OKLAHOMA LINDEN AND SHULLSBURG WISCONSIN *Mines* TRI STATE DISTRICT (MISSOURI OKLAHOMA KANSAS) ILLINOIS WISCONSIN



CHICAGO VITREOUS CORPORATION

PRINCIPAL PRODUCTS — Porcelain enamel frits for home appliances plumbing ware lighting fixtures architectural paneling outdoor signs and other products requiring protective finishes ★ Lusterlite all porcelain enameled gasoline service stations

PLANTS CICERO AND PARIS ILLINOIS



FABRICON PRODUCTS

PRINCIPAL PRODUCTS — Waxed paper cellophane and polyethylene wrappers ★ Lamin Art decorative plastic sheets ★ Custom impregnated papers textiles and glass cloth ★ Molded plastic parts ★ Automotive parts such as door trim panels trunk liners dash insulator mats and glove boxes

PLANTS RIVER ROUGE MICHIGAN PHILADELPHIA AND PITTSBURGH PENNSYLVANIA LOS ANGELES CALIFORNIA



INSULATION DIVISION

PRINCIPAL PRODUCTS — Insulating cements blocks blankets felts pipe covering ★ Diatomaceous earth filter aids aggregates absorbents catalyst supports

PLANTS CLARK AND COLADO NEVADA JOPLIN MISSOURI



THE OHIO RUBBER COMPANY

PRINCIPAL PRODUCTS — Molded and extruded rubber parts for the automotive agricultural equipment electrical appliance toy and other industries ★ Natural synthetic and silicone rubber products ★ Semi pneumatic tires ★ Flexible vinyl parts ★ Rubber to-metal parts ★ Polyurethane products

PLANTS WILLOUGHBY OHIO CONNEAUTVILLE PENNSYLVANIA LONG BEACH CALIFORNIA STRATFORD CONNECTICUT FORT SMITH ARKANSAS